

## Appendix A

### Centrix Member Marketing Material Sample Copy for Member Marketing

#### Statement Message:

Concerned that you might have trouble qualifying for an auto loan? We may be able to help you through our Centrix Credit Ready™ Program. If your credit history includes slow payments, bankruptcy, or foreclosure — or you're simply a first-time buyer with no credit history — ask us how we may be able to extend an opportunity that will help you obtain an auto loan.

#### On-hold Message:

Concerned that you might have trouble qualifying for an auto loan? We may be able to help you through our Centrix Credit Ready Program. If your credit history includes slow payments, bankruptcy, or foreclosure — or you're simply a first-time buyer with no credit history — ask us how we may be able to extend an opportunity to help you obtain that auto loan, at a competitive interest rate. Ask to speak with a loan officer today.

#### Statement Insert:

Head: Concerned about Qualifying for an Auto Loan?

Subhead: Your credit union may be able to help.

Copy: We realize that, for a variety of reasons, some of our members may have a credit history which includes bankruptcy, foreclosure, or slow payment of debts—or simply have not had the opportunity to establish a credit history.

That's why we feel it's important to extend the opportunity of the Centrix Credit Ready™ Program to our members for auto loans. Through this special program, qualified members receive:

- pre-approval – which will help you negotiate and purchase the vehicle you choose
- competitive rates
- a convenient way to establish or re-establish good credit by making timely monthly payments

In addition, if you currently have an auto loan at a high interest rate due to your credit history, you may be able to refinance at a lower rate through the Centrix Credit Ready Program. Check with your credit union loan officer today to see how you may qualify for an auto loan through this special program:

The Centrix Credit Ready Auto Hot Line  
Call Toll-Free 1-800-376-1559  
7:00 a.m. - 6:00 p.m. M-F  
After hours and weekends  
Call Toll-Free 1-877-823-6767

**Newsletter Article:**

Concerned about Qualifying for an Auto Loan?

If you are concerned about qualifying for an auto loan, your credit union may be able to help. We realize that, for a variety of reasons, some of our members may have a credit history which includes bankruptcy, foreclosure, or slow payment of debts—or they simply have not had the opportunity to establish a credit history.

That's why we feel it's important to extend the opportunity of the Centrix Credit Ready™ Auto Lending Program to our members. Through this special program, our members receive:

- pre-approval – which will help you negotiate and purchase the vehicle you choose
- competitive rates
- a convenient way to create or re-establish good credit by making timely monthly payments

In addition, if you currently have an auto loan at a high interest rate due to your credit history, you may be able to refinance at a lower rate through the Centrix Credit Ready Program. At (NAME) Credit Union, it is important to us to provide options for our members. As always, it is our goal to help you improve your financial situation.

The unique Centrix Credit Ready Program is designed specifically to help members whose credit history may make it difficult to qualify for an auto loan with other lenders. This unique program has a special loan application, acceptance and servicing process that may make it easier to gain loan approval through the credit union. Once you submit your application, we will provide you an answer in about one hour. Please call us at [INSERT CREDIT UNION PHONE NUMBER] to see how you may qualify for an auto loan through this special program.

## Lobby Brochure:

Cover

Head: Concerned about Qualifying for an Auto Loan?

Subhead: Your credit union may be able to help...

Inside

Are you Concerned about Qualifying for an Auto Loan Due to Your Credit History?  
We realize that, for a variety of reasons, some of our members may have a credit history which includes bankruptcy, foreclosure, or slow payment of debts — or may simply have not had the opportunity to establish a credit history.

That's why we feel it's important to extend the opportunity of the Centrix Credit Ready™ Program to our members for auto loans. Through our relationship with Centrix Financial, our members receive:

- pre-approval – which will help you negotiate and purchase the vehicle you choose
- competitive rates
- a convenient way to create or re-establish good credit by making timely monthly payments

If you currently have an auto loan at a high interest rate due to your credit history, you may be able to refinance at a lower rate through the Centrix Credit Ready Program.

What is the Centrix Credit Ready Program?

This unique program was designed specifically to help members whose credit history may make it difficult to qualify for an auto loan. With the Centrix Credit Ready Program, we are able to approve many loans, which we would have declined in the past. It is important to us to provide options for our members. As always, it is our goal to help you improve your financial situation.

The Centrix Credit Ready Program has a special loan application, acceptance and servicing process that may make it easier to gain loan approval through the credit union. Once you submit your application, we will provide you an answer in about one hour. When you are pre-approved through the Centrix Credit Ready Program, you receive a Credit Ready “creditcard”. This card enables you to negotiate and purchase the vehicle of your choice. You know how much you can spend, so you have the control over the transaction at the dealership. As you make your monthly payments, you are also creating or re-establishing your good credit.

We are pleased to offer this new program and look forward to assisting you in your automobile purchase.

How to Apply

1. Complete the attached loan application. Be sure to fill it out completely and accurately so that we can answer your loan request quickly.

2. Return your completed application to your credit union. Your credit union will forward your application to the Centrix Credit Ready office.
3. Credit Ready staff will notify you regarding preliminary loan approval status, loan terms and conditions. The Credit Ready office will notify you if any additional documentation is required.
4. The Centrix Credit Ready office will conduct a thorough verification process, including a review of your credit report, to confirm accuracy of ALL the information you provided.  
Centrix requires, obtains and verifies ALL the data on the application. If you provide incomplete or incorrect information, it will slow down or prevent loan approval and funding.
5. If your loan is approved, the Centrix Credit Ready office will give you a Credit Ready packet, which describes how to purchase or refinance a vehicle with your Centrix Credit Ready Auto Loan. Typically, you can receive a credit decision within one hour.

The Centrix Credit Ready Auto Hot Line  
 Call Toll-free 1-800-376-1559  
 7:00 a.m. - 6:00 p.m. M-F  
 After Hours:  
 Call Toll-free 1-877-823-6767

Mini Application To Include:  
 Applicant:

Print Full Name:	First	Middle	Last (Jr., Sr.)
Social Security No:		Date of Birth (Mo., Day, Year)	
(      )			
Home Phone No.:			
Present Address:			
City,	State,	Zip Code	
Lived There (Years, Months)	<input type="checkbox"/> Rent <input type="checkbox"/> Own		
Landlord Name and Number or Mortgage Holder Name			
Monthly Payment or Rent \$			
Employed by	<input type="checkbox"/> Self <input type="checkbox"/> Other		

Employer Name:

Employer Address, City, State, Phone

How Long (Years/Months)

Trade or Occupation:

\$

Salary

Name of Previous Employer/Trade Occupation, Address, No. of Yrs.

co-Applicant:

Print Full Name:

First

Middle

Last (Jr., Sr.)

Social Security No:

Date of Birth (Mo., Day, Year)

Employed by

☐ Self ☐ Other

Employer Name:

Employer Address, City, State, Phone

How Long (Years/Months)

Trade or Occupation:

\$

Salary

Name of Previous Employer/Trade Occupation, Address, No. of Yrs.

T.062290-50495860

Direct Mail:

Head: Introducing Credit Ready™

Subhead: A Special Auto Financing Program For Members With Past Credit Difficulties

Copy: If you've had trouble qualifying for an auto loan in the past, (NAME) Credit Union may be able to qualify you through our new Credit Ready program from Centrix Financial. We have recently teamed up with Centrix Financial to bring this exciting program to you.

The Centrix Credit Ready program is specifically designed to assist you with a car purchase, even if you've had credit difficulties in the past. We understand that many people find themselves in situations that adversely affect their credit. The Credit Ready program specializes in serving borrowers who have made efforts to re-establish themselves as financially responsible and deserving of special financing. Through our relationship with Centrix Financial, members are extended an opportunity to receive:

- pre-approval – which will help you negotiate and purchase the vehicle you choose
- competitive rates
- a convenient way to re-establish good credit by making timely monthly payments

How does the Credit Ready Program Work?

The Centrix Credit Ready Program has a special loan application, acceptance and servicing process that may make it easier to gain loan approval through the credit union. Once you submit your application, we will provide you an answer in about one hour. When you are pre-approved through the Centrix Credit Ready program, you receive a Credit Ready Creditcard. This card enables you to negotiate and purchase the vehicle of your choice. You know how much you can spend, so you have the control over the transaction at the dealership. As you make your monthly payments, you are also creating or re-establishing your good credit.

Don't Wait. Credit Ready may be the solution to your car loan needs. To apply for your car loan by phone call \_\_\_\_\_, today.

## Appendix B

## INTRODUCTION TO THE CENTRIX™ CREDIT READY™ PROGRAM

**Special Financing**

The Centrix Credit Ready™ Loan Program is a unique program specifically designed to assist credit union members who have had credit difficulties. Centrix and your credit union understand that many people find themselves in situations that adversely affect their credit. The results often create an inability to qualify for standard loan rates. We specialize in serving borrowers who have made efforts to re-establish themselves as financially responsible and deserving of special financing.

**Credit Ready™ Creditcard**

Your Credit Ready™ Creditcard will serve as proof that you have been pre-approved for a Credit Ready™ auto loan. This Creditcard enables you to negotiate and purchase the car of your choice. It gives control over the transaction to you. The program also provides you with a convenient way to help you re-establish positive credit as you make timely monthly payments.

**Free Assistance**

Centrix's Credit Ready office staff has many years of experience in special finance and auto dealership management. They are knowledgeable and eager to use this experience to help you purchase a vehicle and to guide you through this special finance loan process. Please do not hesitate to call with any questions or comments — our help is free.

**HOW TO PURCHASE A VEHICLE with your CENTRIX CREDIT READY™ CREDITCARD****Step 1**

Read this ENTIRE packet.

It provides information that makes it easier, faster and less expensive to purchase a vehicle or to re-finance.

**Step 2**

Call the Credit Ready™ Auto Hot Line to activate your Centrix Credit Ready Creditcard. You must call to activate your card for pre-approval.

**Step 3**

Keep the following in mind as you shop for a vehicle.

- The vehicle must not be more than 5 years old.
- The vehicle must have less than 80,000 original miles. Terms of the loan are based on the mileage of the vehicle at the time of purchase.
- There are some specific restrictions for some types of vehicles

**Step 4**

Find the vehicle you wish to purchase.

You may buy a vehicle from any franchise auto dealership.

If you are refinancing, please skip to the refinancing section of Step 7.

**Step 5**

Call the Centrix Credit Ready™ Auto Hot Line before you negotiate your car purchase.

Show your Credit Ready™ Creditcard to the dealer as proof that you have been pre-approved for financing. The dealer may also contact Credit Ready if they choose.

WHY CONTACT US BEFORE YOU NEGOTIATE YOUR VEHICLE PURCHASE?

2006-05-09 10:00:00

- We will disclose the book values and the maximum amount you should pay for the specific vehicle you select, based on the mileage, equipment and other features of the vehicle.
- We will provide you with the pre-approved terms for financing, including taxes and extended warranty, as well as the maximum loan amount.
- We will give you a monthly payment quote that fits your budget.
- You may ask advice on negotiating the purchase or discuss any aspect of the purchase and the Credit Ready program by calling our toll-free number. Our goal is to help you: (1) negotiate the best possible purchase, (2) save you time and money, (3) acquire the vehicle you want!

### Step 6

Determine your down payment.

You have a required minimum down payment on most programs. Call the Credit Ready™ Ready Auto Hot Line for the specifics and additional assistance.

- You may make down payments in cash or trade. If you trade in a vehicle as a down payment, it must have a wholesale book value with equity equal to or greater than the required down payment. Any difference needs to be in cash.
- If you buy the vehicle from a private party, there are certain procedures that must be followed, please call Credit Ready for details.

### Step 7

Close the deal by taking the following steps....

Follow the appropriate section below according to whether you are purchasing a vehicle from a participating auto dealership, non-participating auto dealership, a private party, or you are refinancing.

Participating Dealership Purchase: (Recommended by Centrix)

- The dealer will provide and complete all the necessary loan documentation.
- Sign the papers at the dealership.

Non-Participating Dealership Purchase:

- Have the dealership contract the purchase as if you were paying cash.
- Tell the dealership that your credit union is providing the financing.
- Contact the Centrix Credit Ready™ Auto Hot Line to set up a time for closing.
- Credit Ready will print all your loan documents and send them directly to you, or arrange to have you go to your credit union to complete them. Contact Credit Ready to determine which option will be used for your loan documents.
- Once you have completed and signed the loan documents, return them to Credit Ready, or if you completed the paperwork at your credit union, the credit union will return the documents to Credit Ready.
- Credit Ready will provide the dealership with a "Loan Funding Confirmation Letter" that states the credit union will pay the dealership upon receipt of specific documents.
- The dealership can contact the Centrix Credit Ready office with any questions or comments.
- Make arrangements with the dealer to take possession of the vehicle.

Private Party Purchase:

- Contact Credit Ready to confirm that the price and down payment meet the program guidelines.

FD-302 (Rev. 5-8-10)



- Have the seller contact Credit Ready. If the seller owes money on the vehicle, Credit Ready will coordinate the payoff process with the seller.
- Credit Ready will facilitate the credit union appointment for you and the seller.
- If a down payment is required, a copy of a cashier's check or money order is the only acceptable form of proof of payment.
- Any amount due to the seller(s) is paid by the credit union after the Centrix Credit Ready office reviews the loan paperwork and authorizes such payment. This is generally completed within 72 hours.

**Loan Refinance:**

- Contact Credit Ready to obtain the necessary loan paperwork.
- Complete and sign documents where required. Return them to Credit Ready.
- Credit Ready will send funds to the previous lender to pay off the old loan.

**Step 8**

Make your loan payments to Centrix Resource Systems:

Payment may be made in the form of checks, money orders, cashier's checks, Visa, MasterCard, Electronic Funds Transfer and a variety of other methods. Call Centrix Resource Systems at (877) 236-7672, option 4, with questions regarding loan payments.

**NEGOTIATING YOUR VEHICLE PURCHASE**

**Participating Dealerships:**

Centrix recommends you purchase a vehicle from an auto dealer in our "Participating Dealer Group." When you purchase a vehicle from a participating dealer, they handle all contract procedures, including the necessary dealer paperwork. Please call the Credit Ready Auto Hot Line for further information.

**Non-Participating Dealerships:**

If you choose to purchase a vehicle from a "non-participating" dealership, don't get caught in a negotiation trap. Some non-participating dealerships might try to confuse or even mislead you by negotiating a monthly payment rather than an overall price.

**How to avoid the negotiation trap**

- Shop as a "cash" customer. Save money by negotiating the best "cash" price.
- Stay focused on the total cost of the vehicle.
- If the non-participating dealer starts focusing on monthly payments, ask yourself, "Even if I can afford the monthly payment, is the vehicle worth the total price?" (or better yet call Credit Ready for free advice)
- Don't negotiate financing with a non-participating dealer. The Credit Ready office provides all your financing services.

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## SECTION ONE

### OPPORTUNITY EXTENDED

Centrix Financial, LLC is a financial and risk management firm that specializes in providing safe, innovative financial products for credit unions. Centrix's unique, turnkey process, called the Centrix™ Portfolio Management Program (PMP), is a comprehensive program that safely and profitably extends opportunities for credit unions to provide special financing auto loans to their credit-impaired members. Centrix markets, underwrites, services, collects and insures loans against principal loss, thereby minimizing the costs and risk traditionally associated with non-prime and sub-prime loans. Now, by participating in the PMP program, credit unions safely can achieve higher yields and extend more service to more members than they would otherwise be able to provide.

PMP is a patent-pending program that is designed to yield 11-13%\* net annually to participating credit unions and achieved that yield goal in the 1999 and 2000 portfolios. Centrix ensures the safety of PMP loans by providing an exclusive Guaranteed Asset Protection (GAP) insurance policy up-front, on a loan-by-loan basis, for each PMP loan. This default coverage insures the lender against risk of loss of the principal by covering the difference between the price at which a repossessed car sells and the face amount of the loan. Only Centrix can offer this asset protection insurance through exclusive arrangements with A-rated national insurance companies. By financially guaranteeing the loans, the risk of loss and the reserves supporting any potential loss are therefore transferred from the lending institution to the insuring institution.

Through the turnkey Centrix™ PMP, every credit union now can extend more opportunities to existing and new members – safely and profitably.

Through the unique Centrix™ PMP, every credit union now can evolve to the new standard in risk-based lending.

- \* Actual yield depends on the specific lending programs in which the credit union makes loans (see the Lending Grid section) and whether the credit union is a federally or state chartered institution. Results vary depending on portfolio results before any internal or external servicing fee is charged.

## OVERVIEW

### THE SPECIAL FINANCING AUTO LOAN MARKET

Centrix has targeted the special financing auto loan market because of its large size and growth potential. The auto finance market, according to the Board of Governors of the Federal Reserve System, is the fastest growing sector in consumer finance, with over \$500 billion financed by customers each year. It is estimated that the three largest U.S. auto manufacturers, acting as captive finance sources, account for one-third of its volume. This leaves behind an annual market of over \$300 billion, which is typically serviced by banks and non-bank lenders, none of which accounts for greater than 1% of the market.

Within the auto finance market, “special financing” is the fastest growing sub-sector. This category consists of borrowers who have had a limited credit history, low income, or past credit problems. It comprises loans that are less than “A” (prime), which includes “B” (non-prime), and “C” and “D” (sub-prime).

The special financing market represents over 30% of U.S. credit customers and totals in excess of \$300 billion annually. The special financing auto finance sub-sector is experiencing tremendous growth and is expected to grow substantially in the future.

Although this market has huge potential, lenders involved in special financing in the past encountered significant, fundamental problems, including:

- The higher risk associated with this market sector.
- Lack of consistent funding, as regional firms depended on Wall Street or private placements, which proved to be inconsistent, to securitize loan pools.
- Lack of proper systems and procedures designed for this highly specialized arena, which contributed to failures through lax underwriting, administration and/or collections policies.

## THE COMPANY

Centrix Financial, LLC was purchased by WK Capital Advisors in 1998. Since 1990, Centrix had been in the business of developing and securitizing sub-prime auto loan pools and selling them to the institutional market. Through its experience in institutional portfolios, Centrix determined that there was an enormous opportunity in the aggressively growing special financing auto loan marketplace if the fundamental problems of this market sector could be solved.

Historically, financial institutions, including credit unions, have been leery about engaging in special financing lending activities. This principally has been because of the perceived high risk involved and the problems often associated with managing a special financing portfolio, including special capitalization, systems, procedures and personnel necessary to support the ongoing performance goals.

Centrix's goal was to create and provide a safe, profitable product that would enable credit unions to enter the special financing auto finance business. In order to do this in a manner that avoided the problems lenders faced in the past, Centrix had to:

- ❑ Develop a consistent and regular source of lending capital.
- ❑ Develop a method of minimizing the risk traditionally associated with securitizing special financing loans.
- ❑ Develop risk management and operating systems that would ensure consistent underwriting, servicing, and collections.

Therefore, the Centrix mission was to:

- ❑ Create a product that would safely and profitably allow credit unions to deploy lending capital in the special financing auto finance arena.
- ❑ Create a system that would allow greater flexibility for credit unions through a "turnkey" operating structure.
- ❑ Create a program that would allow credit unions to maximize their new and existing member service in the auto finance sector.

Centrix developed the Portfolio Management Program to achieve this mission.

## THE CENTRIX™ PORTFOLIO MANAGEMENT PROGRAM (PMP)

Centrix created its exclusive Portfolio Management Program (PMP) to provide a safe, profitable, and flexible method for credit unions to extend opportunities in the special financing auto loan market to existing and new members.

**The Centrix™ PMP is a turnkey system that incorporates all of the operating procedures for underwriting, insuring, servicing, collections and risk management of special financing auto loans. Centrix has specialized systems and expert staff that provide these services on behalf of the credit union, which is the lienholder.**

Each loan generated by the Centrix PMP system has a default insurance policy, called Guaranteed Asset Protection (GAP), which is an insurance policy guaranteeing against principal loss. The default GAP policy covers the difference between the price at which the repossessed car sells and the face amount of the loan. Only Centrix can offer this GAP insurance, which is provided through exclusive arrangements with A-rated national insurance companies.

The manner in which the GAP policy is provided is based on an institutional pool securitization concept, but has significant improvements that increase the quality of the portfolio. Specifically, instead of using the typical institutional securitization process, in which thousands of special financing loans are covered by a single financial guarantee, Centrix provides, through its exclusive agreements with A-rated insurance companies, an **up-front financial guarantee against risk of loss of principal on each individual PMP loan**. Centrix's unique approach to providing an up-front, loan-by-loan financial guarantee creates greater flexibility for hands-on underwriting and risk management. Therefore, when the credit union makes an individual PMP loan, it is making an insured instrument that is essentially "A" rated.

Thus, Centrix delivers PMP loans through a comprehensive, turnkey loan system that includes all the operating systems and procedures for identifying, measuring, monitoring and controlling the risk of special financing auto loans. After the credit union reviews and makes the loan, Centrix does all the servicing and collections on behalf of the credit union. This turnkey program ensures that every credit union can easily participate in the program and achieve maximum flexibility by adjusting its loan acquisition level as its circumstances dictate. At any time, the credit union can also adjust the level of investment in risk-based lending by implementing the PMP Liquidity Control Process, which enables the credit union to recapture its capital as well as generate an on-going stream of interest income.

The Centrix PMP structure allows credit unions to eliminate the need to develop, manage and monitor the daily special financing lending functions. The credit union reviews Centrix's systems, procedures and guidelines and adopts the program in total as its risk-based lending policies. Centrix handles all aspects of the underwriting, servicing, collections and asset reallocation on behalf of the credit union.

Centrix uses state-of-the-art systems, including the Appro and Paradata loan processing systems, to ensure accurate tracking of all loan data, top quality customer service, and accessible portfolio statistics. Centrix submits monthly statements and trial balances and remits cash payments every two weeks. In addition, the lender can have 24/7 online access to the financial data regarding its loan portfolio.

The Centrix PMP complies with all state and federal regulations. In order to assist credit unions to maintain regulatory compliance while participating in the PMP, Centrix assists the credit union to conduct a thorough Due Diligence Process prior to initiating participation and on a regular basis during participation in PMP. Centrix provides comprehensive information and training regarding Centrix Financial, the PMP systems, policies, and performance, and portfolio performance so credit union executives can effectively manage and monitor their risk-based lending activities.

Through this innovative method of structuring special financing loans, Centrix not only offers an extremely flexible and profitable program, but also a safe method for credit unions to enter the high-yield special financing auto market. The safety and soundness of the Centrix PMP, combined with its comprehensive convenience and high yields, make it an optimal method for credit unions to extend auto lending opportunities to new and existing members with impaired credit.

## **GAP DEFAULT INSURANCE POLICY**

Centrix's GAP insurance is a default insurance policy that guarantees against principal loss. It is provided, up-front, on a loan-by-loan basis by national insurance companies that have a minimum of an "A-" rating from:

- Standard and Poor's: rates insurance companies on their claims-paying ability.
- AM Best: rates insurance companies on a wide variety of financial performance criteria.

The insurance coverage includes the following features:

- The coverage is non-cancelable once issued.
- The default coverage is a single premium policy good for the term of the loan.
- Given proper notification, the insurance company can cancel future loans, but cannot cancel any loan already insured.
- All loans are underwritten by Centrix and are insured on a loan-by-loan basis.
- No loan will be funded by the credit union without proper notification of insurance coverage.
- All insurance premiums are paid at the time the loan is funded.
- The GAP policy remains with the loan, even if it is sold through the Liquidity Control Process, as long as Centrix is servicing it.

In the event of default, the insurance policy pays up to the difference between wholesale book value minus \$1,500 and the balance owed at the time of default. Plus, the policy will pay any monthly payments due during the liquidation period (up to 90 days of payments).

## GAP Example:

Wholesale value of vehicle	\$10,000
	<u>- 1,500</u>
Net proceeds of sale	\$ 8,500

## Example of maximum payout:

Balance owed at time of default	\$13,000
Net proceeds of sale	<u>- 8,500</u>
Insurance check to credit union*	\$ 4,500

\* Plus payments due during the liquidation period (up to 90 days of payments)

**LIQUIDITY CONTROL PROCESS**

The credit union's ability to totally control the amount of capital invested in the program is another key element of PMP. PMP includes two methods for ensuring this flexibility. First, loans can be accepted for funding on a loan-by-loan basis, not in a portfolio. So, the credit union can choose to fund as many or as few loans as appropriate. Secondly, the credit union can take advantage of the PMP Liquidity Control Process. After the loans have been funded, the credit union can adjust the amount of invested capital by recapturing cash from outstanding loan principal. Centrix coordinates all aspects of the loan sale process once the credit union has determined the total value of the loans to be sold. The Liquidity Control Process not only restores capital, but also provides an on-going strip of interest income for the remaining life of the loans that were sold. As a result, the credit union has the potential to generate dramatically increased yields.

**COSTS ASSOCIATED WITH THE PMP PROGRAM**

Centrix handles all aspects of managing special financing auto loans on behalf of the credit union. Centrix's turnkey program handles originating, underwriting, and packaging. Then, after the credit union (the lienholder) has made the loan, Centrix also handles all aspects of servicing and collections, including use of customized systems and procedures by a specialized, trained, experienced staff. In addition, included with each loan is the GAP insurance policy, which provides a financial guarantee against principal loss, and VSI insurance, which covers against skip, confiscation or physical damage to the asset.

The up-front fee for the Centrix PMP is a “rate participation,” which is the point spread between the interest rate charged to the borrower and the net “effective buy rate” to the credit union. This rate depends on the lending products in which the credit union participates and typically ranges between 3-6% (i.e. if the borrower APR is 18% and the discount buy rate spread to Centrix is 4 points, the credit union nets 14%). From that fee, Centrix pays operating expenses, including the marketing and packaging as well as the financial guarantee insurance premium. In addition, there is a servicing and collections fee, which is a percentage of the actual payments received. As a result of this cost structure, the credit union has a known expense to participate in the program and does not need additional staff or capital to enter the special financing lending market.

## PMP SUMMARY

Centrix performs the following as part of the overall program:

1. Develops and implements the marketing strategy between credit unions and auto dealers in order to provide PMP loans to credit union members, auto dealer customers, and customers seeking to purchase autos from private parties or to refinance existing auto loans.
2. Sets up the systems, procedures and Credit Guidelines to manage and monitor all aspects of the PMP.
3. Trains auto dealers on the PMP system and encourages them to submit special financing applications to Centrix.
4. Assists credit unions to participate in the PMP program.
5. Processes and underwrites the loans.
6. Insures the loans against borrower default on a loan-by-loan basis.
7. Performs the servicing and collection of the loans.
8. Handles asset reallocation.
9. Provides the Liquidity Control Process, which enables the credit union to maintain total control over the amount invested in PMP loans, before and after making the loans and to recapture capital while receiving an ongoing stream of interest income.



Centrix provides a safe, convenient and high yield special financing lending program due to two key strengths:

- ❑ **Centrix Guaranteed Asset Protection Policy:** When a credit union buys a PMP loan, it is buying a financially guaranteed instrument that is essentially "A" rated. The credit union is protected up-front against principal loss through an exclusive GAP default insurance policy, which transfers the risk of loss from the credit union to the insurance company. Centrix's unique process enables credit unions to eliminate the need to increase their reserves to support risk-based lending activities.
- ❑ **Centrix Turnkey Program:** Centrix ensures known costs by providing a turnkey program that includes handling all aspects of underwriting, servicing, collections and asset reallocation. The credit union has no overhead costs and does not have to develop any internal operating systems or use any internal staff to handle special financing loan production. Centrix's systems:
  - Are in place and operating successfully.
  - Use state-of-the-art computer telephony systems that are customized to the unique requirements of special financing.
  - Are managed by executives with extensive special financing lending experience.
  - Returned net yields of 11-13% to credit unions. (Actual results depend on the lending specific lending programs in which the credit union makes loans and on the actual portfolio performance before the servicing fee is charged.)
  - Are designed to provide credit union management with the flexibility and information they require to evaluate performance against goals and determine the desired level of participation.
  - Use sophisticated underwriting, servicing and collections systems to maximize performance, minimize default and ensure fair lending practices.

## SECTION TWO

### **PMP ADVANTAGES: The Safe and Profitable Special financing Lending Program for Credit Unions**

Centrix's PMP is the **only** special financing loan product in the United States that offers all of the following unique competitive advantages:

- PMP is the only complete turnkey special financing auto lending program available for credit unions.
- PMP is the only product that offers an up-front financial guarantee on a loan-by-loan basis.
- Centrix offers the type of funding auto dealers prefer: flexible, fast, easy and reliable funding from local credit unions.
- PMP applies to auto purchases from a dealer or a private party. It also applies to refinancing.

Credit unions choose to use Centrix's PMP because of the following benefits:

- With the PMP system, the inherent risk to credit unions for special financing loans is essentially the same as the risk associated with "A" credit loans.
- The yield to lenders is substantially higher than that of prime auto loans. Centrix's 1999 and 2000 results showed 11-13% net yield to its financial partners. (Actual results depend on the specific lending programs in which the credit union makes loans and on the actual portfolio performance before the servicing fee is charged.)
- For the first time, credit unions can provide low-risk and safe auto financing to their credit-impaired members.
- Since the credit union is making the PMP loans, not purchasing or funding them, there is no regulatory limit to the amount the credit union can invest in risk-based lending through the Centrix PMP.
- PMP enables credit unions to broaden their community service by expanding their lending programs and serving a larger portion of their membership field.
- There is a known expense per PMP loan. The cost of the PMP includes an up-front rate participation for loan origination/underwriting and a percentage of monthly payments received for servicing/collections. There is no additional overhead expense to credit unions to participate in the special financing loan market.
- Centrix redirects loans from auto dealers away from other lenders to participating credit unions. Therefore, participation in PMP generates new business for the credit union.
- Through the Liquidity Control Process, the credit union can adjust the amount of capital invested in the program by recapturing cash from outstanding loan principal. In addition to restoring capital, this results in an ongoing stream of interest income for the remaining life of the loans that were sold.
- The Centrix PMP complies with all state and federal regulations.

PMP overcomes problems encountered by credit unions using traditional risk-based lending programs.

- Centrix presents the credit union with complete loan packages that have passed rigorous Credit Guidelines. The credit union has the opportunity to accept or reject loans on a loan-by-loan basis, thereby ensuring that it continues to meet its lending goals.
- Since the PMP program provides a guarantee against principal loss, the credit union does not need to increase their reserves to adjust for the traditional risk of special financing loans.
- Using Centrix for its PMP loan underwriting, servicing and collections enables credit union management to avoid the need to plan for, establish, and manage risk-based lending activities. The credit union has no additional operating costs related to systems or staffing.
- The cost/benefit ratio of special financing lending activities is dramatically improved by using Centrix instead of creating an internal special financing lending department. Centrix manages all operations and pays for the operating costs, including the insurance premiums. The risks of PMP lending activities are essentially the same as those associated with "A" loans. The yields are high: 11-13% net yield to member credit unions in the 1999 and 2000 portfolios. (Actual results depend on the specific lending programs in which the credit union makes loans and on the actual portfolio performance before the servicing fee is charged.)
- Centrix's PMP provides built-in flexibility that ensures the credit union's on-going ability to participate in the PMP in a manner that complies with its risk-based lending policies.
- Centrix's lending operations are designed, managed and monitored by executives with extensive experience in the special financing arena. Their expertise in the unique aspects of this market ensures effective, hands-on risk management.
- Centrix uses sophisticated, integrated underwriting and servicing/collections systems. This ensures fair lending practices, consistency of decision-making and efficiency of loan processing. The lender has 24/7 online access to data regarding individual loan and loan portfolio performance. Monthly reports and trial balances are also provided to continuously enable credit union management to ensure that their PMP lending activities consistently meet their performance goals.

Centrix already has established the infrastructure, systems and procedures to process a large portfolio of PMP loans.

- Centrix began operations in 1998 and is currently handling thousands of PMP loans.
- The credit union does not have additional operating costs associated with special financing lending activities. The costs for participating in the PMP are defined up-front.
- Centrix handles underwriting, packaging, servicing and collections on behalf of the credit union. The credit union does not have to plan, establish, manage or monitor any special financing lending activities.
- Centrix has designed and implemented customer service and underwriting systems that are quickly and easily duplicated as new states are entered. Centrix teams will be added as loan volume increases to ensure that credit unions and their members have immediate access to Centrix Representatives whenever necessary. Existing servicing, collections and asset reallocation systems have the capacity to service a large amount of additional production.
- Centrix's operating policies and procedures ensure fast, professional service to borrowers.
- Centrix's operating systems have online loan application and decision capabilities.

Auto dealers choose to use Centrix's PMP rather than alternative special financing loan sources because of the following benefits:

- There is no cost to the dealer to participate in the program.
- PMP offers extremely competitive rates to the borrower, typically 3-4% below market. This helps the auto dealer sell more vehicles. Competitors typically stretch the interest rate to the maximum allowed by state law, which is often 21% and higher.
- PMP offers local funding, which dealers tend to prefer, in a fast and easy manner. When the loan package is finalized, the cash is immediately available.
- Centrix offers consistency and reliability in underwriting and funding. Other special financing funding sources move in and out of markets depending on the availability of capital. Centrix offers a stable, existing, virtually unlimited supply of local capital.

PMP generates new sources of revenue for participating credit unions.

- PMP provides a safe method to accept member loan applications that credit unions would otherwise have had to reject because of unacceptable credit risk.
- When an auto dealer refers a special financing loan to Centrix, Centrix underwriters evaluate it according to its strict Credit Guidelines. Loan applications that are accepted are packaged and presented to the appropriate credit union. This generates new members for credit unions.
- Centrix Representatives regularly contact auto dealers to get them to include Centrix on their lists of potential special financing lenders. This is easy since dealers always are interested in lenders who can offer better rates and services. They also prefer the local funding that Centrix offers. Once Centrix is on dealers' lists, there are ongoing opportunities to obtain existing special financing loan business and direct it to member credit unions.
- The auto finance market, as determined by the Board of Governors of the Federal Reserve System, is one of the largest, fastest growing sectors in consumer finance and represents over \$500 billion in annual sales. The market of individuals with impaired credit, who don't qualify for prime "A" loans, currently represents approximately 30% of the entire buying market, totaling over \$300 billion annually. This means that there is a huge market of special financing loan business that Centrix can attract to its PMP program.

Centrix is the only safe method for credit unions to enter the highly profitable special auto financing consumer finance market.

- No other company in the country provides a GAP policy that transfers the risk of principal loss from the credit union to the insurance company.

## SECTION THREE

### EXISTING AND NEW MEMBER DELIVERY SYSTEMS

Centrix provides a safe mechanism for credit unions to enter a field that they wouldn't ordinarily consider because of the potential high risk of defaults and because of the cost of developing and managing a risk-based lending portfolio. Centrix solves both of these problems. In addition, PMP helps credit unions achieve their organizational missions by allowing them to serve a larger percentage of their members while staying within their risk and yield guidelines. Because Centrix provides all support services for processing and servicing the loans, participating credit unions receive increased loan revenue without an increase in internal systems or staffing.

When a credit union is interested in participating, Centrix's acceptance committee, which consists of representatives of Centrix and the insurance companies, reviews their systems, procedures and potential production. Centrix provides a checklist of any tasks that must be accomplished prior to program commencement. Centrix then facilitates a thorough Due Diligence process, which enables the credit union to fully evaluate Centrix and the Portfolio Management Program. Centrix also provides comprehensive training for credit union staff to assist them to present the PMP program to members and to interface with Centrix. Once accepted into the program, a credit union can actively participate in PMP within two weeks.

Centrix delivers PMP loans to credit unions in the following ways:

#### **Indirect: Dealer/Member Program**

When an auto dealer faxes or emails a special financing loan application to Centrix, Centrix evaluates the application, assigns approved deals to the appropriate participating credit union (based on field of membership), and in most cases, notifies the dealer of the terms of the loan within one hour. Centrix underwrites and processes the loan, then delivers the completed package to the credit union. When a dealer selects Centrix's PMP loan as the best loan deal, this generates new, valued, previously unavailable business for the participating credit union.

Franchise auto dealers regularly process thousands of loan applications, approximately 30% of which are typically in the special financing category. Centrix's Dealer Representatives contact dealers and encourage them to include Centrix on their lists of potential special financing lenders. Since dealers continually seek new sources of financing, dealers welcome the opportunity to learn about and participate in PMP. Centrix is merely reallocating existing loan business from competitors to the more attractive PMP program. Centrix has agreements with over 1,000 dealers, hundreds of which are actively participating in PMP.

### **Direct: Credit Ready™ Program**

Once Centrix has entered into a strategic alliance with a credit union, rejected loan applications from their membership are faxed to Centrix for special financing. Centrix then processes those applications and either approves or declines them. When a loan is approved, the PMP process begins. Since credit unions are already in the business of making auto loans, this “direct” segment of business helps the lender accept new business that it could not process itself, due to the high credit risk. Centrix’s special Credit Ready™ department provides immediate access, through the Centrix Credit Ready Auto Hot Line, to high-quality service for existing credit union members.

When a credit union member is approved for a PMP loan, Centrix provides the member with a “Credit Ready” Creditcard. This first-of-its-kind card is a “pre-approval” card that may be presented as proof that the member is pre-approved for financing. The member can take it to select auto dealers, use it to purchase a vehicle from a private party or use it to refinance an existing auto loan. The card is valid for 15 days and can be re-approved upon receipt of updated member information.

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## SECTION FOUR

### CENTRIX ORGANIZATIONAL STRUCTURE

Centrix's organizational structure is designed to handle a large volume of PMP loans efficiently and effectively. Specifically, the structure allows for "cookie cutter" expansion. Increased business merely requires duplication of existing human resources, insurance coverage and operating strategies, policies and procedures.

Centrix's staff is organized as follows:

#### **Financial Institution Representatives:**

Each territory is serviced by Financial Institution Representatives, who assist credit unions to learn about and implement the PMP program, and Dealer Representatives, who regularly contact auto dealers to encourage them to submit special financing loan applications to Centrix.

Members of the Senior Management Team closely manage the Representatives' and Service Center activities to ensure consistently high quality service to member credit unions and participating auto dealers.

#### **Centrix Service Center:**

Once a credit union is participating in PMP, The Centrix Service Center staff is available to provide expert PMP assistance as needed. The credit union may call the service center Help Line to obtain information and assistance on properly accounting for loan approval, funding, tracking and monitoring, as well as any other operational, service or financial question or concern. The Centrix Service Center is designed to assist credit unions to avoid problems as well as address any that arise. The Service Center is also available to provide PMP assistance to borrowers and auto dealers.

#### **Loan Underwriting:**

The Loan Processing Operation is staffed in the following categories:

- ❑ Data Entry Clerks: enter all necessary application information into the Appro loan processing system
- ❑ Underwriters: evaluate the application information, credit bureau report and other data on the applicant and evaluate it with respect to the Credit Guidelines to make preliminary and final credit decisions
- ❑ Verifiers: obtain and verify all necessary information
- ❑ Funders: assemble final loan packages

A special group of staff members in each of these categories, plus a Credit Ready Manager and a Member Services Expeditor (who serves as the member's contact person from loan application to vehicle purchase) provide all loan underwriting services for loans that are made through the Credit Ready program.

**Servicing and Asset Reallocation:**

All aspects of loan servicing, collections, title and insurance tracking, and asset reallocation are handled by Centrix Resource Systems, a functional division of Centrix Financial, LLC. The staff is located in the Headquarters Office. The staff consists of a Manager of Loan Servicing and Asset Reallocation, Pre-Callers who call each borrower one time prior to the first payment due date in order to maximize timely loan payments (each can handle up to 1000 loans and handle some title functions), Collectors who follow up on delinquent accounts (each of whom can handle up to 500 loans), Title Clerks, Skip Tracers and Administrative Assistants.

Additional Pre-Callers and Collectors will be added as additional loan volume is generated. The qualifications, roles and responsibilities of these new Pre-Callers and Collectors will duplicate those of existing staff. Asset Reallocation staffing needs will be evaluated on an ongoing basis. Staffing levels will be adjusted as necessary to handle the number of loans that go into default as the total loan volume increases. Centrix is committed to providing a positive workplace environment, comprehensive and ongoing training, and competitive employee benefits to maximize employee performance and retention.



## SECTION FIVE

### OPERATIONS

Centrix's risk management program has been designed and implemented to minimize defaults and maximize profitability. Centrix uses aggressive risk management techniques for its underwriting, servicing, collections and asset reallocation functions. The company's operating systems support the consistent application of these risk management strategies.

The systems and staff for handling all aspects of loan processing, administration, collections, asset reallocation and member care are centralized in the Denver Headquarters Office. This allows for hands-on supervision by senior management and efficiencies of scale. Existing software systems have the capacity to handle an essentially unlimited number of loans. While dramatic growth will require additional staff and facilities, minimal management effort will be needed to plan and implement this expansion because additions will duplicate existing operations and organizational structures.

Sophisticated computer telephony systems handle loan processing and coordination of data and documents between Centrix, auto dealers, credit unions and insurance companies. This ensures efficient processing and provides a one-stop application and approval/processing system that integrates all data related to underwriting, servicing, collections and asset reallocation. Centrix's systems also provide online auto decisioning and lienholder portfolio reports. Centrix will also host a web site for each member credit union to give each institution a personalized portal to the PMP. Centrix's specific loan processing policies and procedures are described below.

#### Underwriting:

When a credit union or auto dealer turns down a customer due to impaired credit, the loan application is faxed, called in, or emailed to Centrix's Loan Processing Operation (LPO). Once Centrix receives the loan application, the following process takes place. (The Credit Ready Department conducts this process for all loans that are submitted by a credit union for a member.)

- Data is entered into Centrix's Appro loan application system.
- The Appro system performs auto decisioning when appropriate and notifies the credit union or auto dealer of the outcome.
- A Data Entry Clerk pulls the credit bureau report or reviews the report provided by the credit union.
- The application, credit report and other pertinent information from the dealer are forwarded to an Underwriter, who reviews and evaluates the information. The Underwriter initially looks at the following:
  - Stability: How long has the applicant lived at his/her current address and in the area? How long has the applicant worked at his/her current and previous jobs?

- Ability: Does the applicant make enough money to cover his/her day-to-day expenses, rent/house payment, insurance and the new car payment?
- Willingness: In the past, has the applicant demonstrated a willingness to pay his/her bills? (This is evaluated through a review of the credit report.)
- Centrix's formal guidelines stipulate the debt to income ratios, residency and employment histories, collateral values and auto characteristics (mileage, model, year, make) that are necessary in order to consider acceptance of an application.
- In many cases, the loan processing system is able to automatically decision the loan application. In other cases, the Underwriter makes a preliminary decision to approve or decline the application. If the application is approved, the Underwriter may also determine the advance on the collateral and the financing terms.
- Once the Underwriter makes a decision, the credit union and/or dealer is notified of the decision by fax, email or phone. This typically occurs within one hour of receipt of the application by Centrix.
- When Centrix receives the funding contract from the credit union or dealer, a File Clerk pulls the original approval documentation and matches it with the contract.
- Approved loans requiring additional information prior to funding are forwarded to a Verifier. The Verifier verifies all job, income, residence, and insurance information on the borrower by calling the employer, the landlord or mortgage company, the insurance company and occasionally, the borrower.
- Once all information has been obtained and verified, the final credit decision is made.
- All applications are filed in an approved or declined file.
- The complete file is forwarded to a Funder who does a pre-audit to ensure that all the stipulations match the actual contract. The pre-audit is completed within 24 hours.
- If any additional proof of information is necessary, the Funder communicates by fax with the dealer, credit union or member to obtain necessary information. The information must be provided within three days or the contract will be returned for completion and resubmission.
- Once the package is complete and all the information is accurate, the file goes to a Funding Analyst who verifies that all the data in the contract is accurate and all stipulations have been met.
- The funding package, including a disbursement sheet, is then forwarded to the lender.
- If the lender approves and funds the loan:
  - the credit union faxes or emails a notice of approval and funding to Centrix
  - Centrix faxes or emails a confirmation of receipt of this notice
  - Centrix finalizes the lienholder information on all internal documentation
  - Centrix creates and faxes or emails an Acknowledgment Report that lists daily and month-to-date lists of the loans that have been presented to the credit union for approval/funding and the loans that the credit union has approved/funded. This Acknowledgment Report can be used by the credit union to ensure that their GL remains in balance.

- If the lender declines the loan, Centrix identifies an alternate lienholder, changes all documentation to reflect the potential new lienholder, and presents the revised loan package to the new lender. Updated acknowledgment reports are immediately presented to both credit unions.
- Centrix's Loan Processing Operation keeps one copy of the package.
- Another copy is forwarded to CRS, the servicing/collections department. Upon receiving the loan package, CRS signs a receipt to indicate that the loan has been transferred from the LPO to CRS. (If the loan has been over-advanced, a special sticker is placed by the LPO on the file. The receipt also indicates that there is an over-advance.)
- The credit union sends checks to the dealer and Centrix.

For Credit Ready PMP loans, the Credit Ready Department uses specialized procedures to facilitate communication between the credit union, the member and Centrix in order to ensure efficient, accessible service to the member. Centrix also assists the credit union to complete their role in this process, including properly completing forms in a timely manner and communicating vital information to the loan applicant.

### **Portfolio Management:**

Centrix Resource System, a division of Centrix Financial, LLC, handles all aspects of loan servicing, title and insurance tracking, collections and asset reallocation functions, which include asset recovery, filing of insurance claims and remarketing. These functions are centralized in the Headquarters Office. The Paradata Loan Processing System, which is used by over 100 other major financial management companies, is the primary operating system for these functions. This system is able to process and manage a virtually unlimited number of loans.

### **The Servicing Process:**

- CRS signs the receipt that indicates the loan has been transferred from the LPO to CRS.
- All loan data is transferred into the Paradata system.
- A "welcome aboard letter," which outlines electronic fund transfer options, and the first statement are created and sent to the borrower.
- A Pre-Caller contacts the borrower to introduce Centrix as the company servicing the loan that was made by the credit union. The purpose of the call is to make sure that all the information on the borrower, the loan, the insurance (including insurer information, amount of coverage and coverage dates) and the auto is correct and that the borrower has all the correct information for payment. The Pre-Caller also offers to answer any questions the borrower may have about their new loan. This proactive pre-call process has substantially reduced the percentage of delinquent first-time payments. If there are any problems, the file is transferred to a Collector for attention.
- A billing invoice, complete with a return portion and an envelope, is prepared and sent 15-20 days prior to the payment due date.
- Centrix accepts the following forms of payment: electronic funds transfer, Western Union Quick Collect, Visa, MasterCard, Discover, American Express, personal check,

money order, wire transfer, cashier's check, military allotment, military direct deposit and check by phone. When payments are received, a Data Entry Clerk posts them into the Paradata system.

- When lien information is received, due diligence for lien perfection is performed. VIN history is available through service bureaus that specialize in providing vehicle histories.
- Funds are transferred by check to the appropriate credit union on a semi-monthly basis. A delinquency report, aged trial balance and detailed statement for the statement period also are included.

### The Collections Process:

Following is an overview of the collections process. This process is modified to comply with the unique regulations of each state in which collections activities take place.

- Information on payments due and paid is managed through the Paradata system. Information on delinquent accounts is automatically queued for attention by the Collections Department.
- For loans 3-15 days overdue:
  - Once a payment is over 3 days past due, the Collections Manager makes frequent courtesy calls to remind the borrower to make payment.
  - A 20-Day Cure Letter is sent by the 5th day overdue. This letter notifies the borrower that he/she has 20 days to make his/her account current or Centrix may exercise its right to repossess. Centrix has the option of repossession within a one-year period if payment is not received on time at any time during that year.
  - At 10 days, a Collector starts making calls to demand payment and notify the borrower of late fees that are due.
- For loans 16-35 days overdue:
  - A Collector reviews the account. If no contact has been made with the borrower, the file is pulled and references are called to try to locate the borrower. The Collector attempts to contact the borrower and obtain the late payment and the next payment due. When the account is over 20 days late, the Collector determines whether the borrower is a candidate for a field visit. If so, a request for field visit is submitted to the Collections Manager. The Collections Manager determines whether the borrower is a skip (borrower cannot be located), merits a field visit or requires repossession.
  - If the file is a skip, it goes into a skip queue where the information is entered into Skiptrace.com, an online tracing service. If the borrower has not been located after 20 days, the loan is submitted to the Manager of Asset Reallocation for repossession.
  - If a borrower is located, attempts are made to collect funds due.
  - If the borrower isn't paying and the address has been verified, a private investigation company is hired to perform a field visit. An agent attempts to make contact with the borrower. If contact cannot be made, a demand letter is left at the residence. Currently, 90% of field visits result in full payment.
- Once the decision to repossess has been made, typically at the point when payment is 45 days late, the file is submitted by the Collections Manager to the Manager of Asset Reallocation for repossession.

There are explicit daily production goals that define the number of calls and the number of promises to pay that Collectors must achieve. Currently, Centrix is handling thousands of loans. The default rate is less than 2.7% with annualized losses of less than 2.5% in the 1999 and 2000 portfolios.

### **The Repossession/Remarketing Process:**

- If the borrower does not redeem the auto during the 20-Day Cure Period, the Manager of Asset Reallocation sends the loan package and all related documents to an outside repossession agency in the appropriate region.
- When the vehicle is recovered, it is taken to a pre-designated auction facility.
- The Manager of Asset Reallocation notifies the Collections Department when a vehicle has been repossessed. Repossession fees are entered into the computer system and a letter of redemption outlining the necessary payments to reclaim the auto is sent to the borrower.
- If the borrower wants to redeem the auto after it has been repossessed, the Collections Manager reviews payment history. If the borrower is deemed to be a good risk, the Collections Manager obtains full payment, including reimbursement of repossession fees, and releases the auto to the borrower.
- During the redemption period, which varies from state to state, the Manager of Asset Reallocation receives condition reports from the repossession agency and from the auction agency so all data can be compared for accuracy and consistency. The Manager determines how much reconditioning, if any, will be done to the vehicle in order to increase the asset value and whether an insurance claim needs to be filed to cover physical damage. If reconditioning is necessary, an outside company is contracted to complete the work. The Manager determines whether the vehicle is in the appropriate site to maximize the sales value and moves it if necessary. If the vehicle cannot be located for repossession, a Skip Claim is filed with the VSI company. The insurance company then has 60 days to locate the collateral or pay the claim in full.
- If the borrower does not redeem the repossessed vehicle, it goes to auction with a pre-determined low value. Back-up buy-bids from wholesale dealers are collected in case the vehicle doesn't sell within that time period.
- Centrix completes the entire asset reallocation process, from vehicle repossession to sale, including filing the GAP insurance claim, within 90 days.
- When the vehicle sells, the Manager of Asset Reallocation is notified by fax. Original documents are sent to the Manager by overnight mail. Upon receipt of the sales amount, the Manager determines whether a GAP Insurance claim needs to be filed to cover the difference between the principal balance at the time of default and the asset value, less \$1,500.
- The file is closed upon receipt of all funds due.

Vehicle status can be tracked on a daily basis through the Paradata System. There is a report available for every lienholder regarding its repossessed collateral.

## SECTION SIX

### CONCLUSION

The Centrix PMP is specifically designed to provide credit unions with a safe, turnkey, and profitable method to participate in the special financing auto loan market. When a credit union participates in the Centrix PMP, it is using a program that:

- ❑ Provides opportunities for the credit union to extend loan services to more existing members and to acquire new members.
- ❑ Eliminates credit union's investment of time, money and staff to create and manage internal special financing lending functions.
- ❑ Guarantees that the risk associated with a special financing loan is virtually the same as that associated with an "A" loan.
- ❑ **Generates high yields, currently yielding 11-13% net annualized.** (Actual results depend on the lending specific lending programs in which the credit union makes loans and on the actual portfolio performance before the servicing fee is charged.)

Centrix welcomes the participation of additional credit unions and has the systems and staff in place to immediately service additional loan volume. Centrix Financial Representatives are available to assist individual credit unions to evaluate the program, define specific special financing goals and limits, and initiate participation in the program.

**For additional information on Centrix or the PMP,  
please contact Centrix at (877) CENTRIX or CentrixFinancial.com**

DECLARATION AND POWER OF ATTORNEY FOR  
PATENT APPLICATIONDOCKET NO. Cent.011USU1

As a below named inventor, I hereby declare that:

My residence/post office address and citizenship are as stated below next to my name;

I believe I am the original, first and sole inventor (if only one name is listed below) or an original, first and joint inventor (if plural names are listed below) of the subject matter which is claimed and for which a patent is sought on the invention entitled:

Method for Providing Financial and Risk Management

the specification of which is attached hereto unless the following box is checked:

(X) was filed on 06/29/00 as US Application Serial No. or PCT International Application Number  
60/214,936 and was amended on \_\_\_\_\_ (if applicable).

I hereby state that I have reviewed and understood the contents of the above-identified specification, including the claims, as amended by any amendment(s) referred to above. I acknowledge the duty to disclose all information which is material to patentability as defined in 37 CFR 1.56.

**Foreign Application(s) and/or Claim of Foreign Priority**

I hereby claim foreign priority benefits under Title 35, United States Code Section 119 of any foreign application(s) for patent or inventor(s) certificate listed below and have also identified below any foreign application for patent or inventor(s) certificate having a filing date before that of the application on which priority is claimed.

COUNTRY	APPLICATION NUMBER	DATED FILED	PRIORITY CLAIMED UNDER 35 U S C 119
N/A			YES: _____ NO: _____
			YES: _____ NO: _____

**Provisional Application**

I hereby claim the benefit under Title 35, United States Code Section 119(e) of any United States provisional application(s) lists below:

APPLICATION SERIAL NUMBER	FILING DATE
60/214,936	06/29/2000

**U.S. Priority Claim**

I hereby claim the benefit under Title 35, United States Code, Section 120 of any United States application(s) listed below and, insofar as the subject matter of each of the claims of this application is not disclosed in the prior United States application in the manner provided by the first paragraph of Title 35, United States Code Section 112, I acknowledge the duty to disclose material information as defined in Title 37, Code of Federal Regulations, Section 1.56(a) which occurred between the filing date of the prior application and the national or PCT international filing date of this application:

APPLICATION SERIAL NUMBER	FILING DATE	STATUS (patented/pending/abandoned)
N/A		

**POWER OF ATTORNEY:**

As a named inventor, I hereby appoint the following attorney(s) and/or agent(s) listed below to prosecute this application and transact all business in the Patent and Trademark Office connected therewith.

WILLIAM W. COCHRAN, II, Registration No. 26,652, and DAVID K. LUCENTE, Registration No. 36,202.

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Direct Telephone Calls To:

(970) 377-6363

I hereby declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true; and further that these statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of the United States Code and that such willful false statements may jeopardize the validity of the application or any patent issued thereon.

Full Name of Inventor: Robert E. SuttonCitizenship: USAResidence: 57 Glenmoor Circle, Englewood, Colorado 80110

Post Office Address: \_\_\_\_\_

Inventor's Signature \_\_\_\_\_

Date \_\_\_\_\_